Chapter 3.—Salaries and Allowances.

(C. A. C., Articles 26—41.)

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Forfeiture of Acting Allowance during the first 30 days of Privilege Leave.

42. Article 99 of the Civil Service Regulations is one which officers officiating in higher appointments feel some difficulty in understanding, and it is desirable to explain in some detail the principles which guide the Accountant General in its application so as to prevent any misunderstanding.

Subject to certain exceptions, which it is not necessary to notice here, an officer "acting in a higher appointment in consequence of the absence of another officer on privilege leave is, under the operation of Article 99 of the Civil Service Regulations, deprived of all acting allowance for the first 30 days of such acting appointment."

The most obvious and, according to general belief, the only possible example of this rule is found in the case of an officer appointed directly to act in place of an officer going on privilege leave; but a little consideration of the rules of promotion will be sufficient to show that an officer, who has commenced by acting in consequence of the absence of an officer on deputation or on furlough, may continue to do so only in consequence of the absence of another officer on privilege leave, while an officer who has begun to act in place of an officer on privilege leave may continue to do so in place of another on furlough.

For example, A, a Commissioner, is placed on special duty. B, a Collector, acts as Commissioner, while C, a First Assistant Collector, acts as Collector. Article 99 does not affect either B or C. Subsequently, however, D, a Collector, returns from furlough and as E, another Collector, is proceeding on privilege leave, D is directed to relieve him. In this case it is clear that, but for E having taken privilege leave, the return of D would have displaced an Acting Collector, and one of the existing Acting Collectors is therefore really acting in consequence of the absence of E on privilege leave. C, being the Junior First Assistant, so acting, would ordinarily (*i. e.*, unless Government selects another officer to revert) be deprived of acting allowance for the first 30 days of E's absence, although he may not unreasonably think, until matters are explained, that he is still acting in consequence of the deputation of A and B. But as no reversions can be ascertained until the publication of the gradation list by Government, he will probably have drawn his acting allowance before he could be informed by the Accountant General of his altered position and would receive a retrenchment slip in due course.

following as Article 42-A at page 15 :—

f salary bills in the case of officers proceeding on privilege leave combined with long leave.

When privilege leave is prefixed to other leave, pay up to the g that on which privilege leave begins as well as privilege leave e payable in India as if privilege leave only had been taken. nces are therefore payable after the end of the month.

To take another example affecting an Establishment—A, a Deputy Collector, takes furlough, B, a Collector's Head Clerk, acts as Deputy Collector, C, another Head Clerk, is transferred to B's office and D, second Clerk in C's office, acts as Head Clerk. A returns relieving B, who, before assuming charge of his office takes, three months' privilege leave and D (although apparently acting still for C, on deputation) is deprived of acting allowance for the first 30 days of B's absence. In this case the facts ought to be well-known and no retrenchments should be necessary.

Income-tax Deductions from Vouchers.

43. The following instructions are supplementary to those issued in Chapter 2 of the Civil Account Code. They are applicable to Income-tax deductions from Vouchers paid at Government Treasuries, and are intended solely for the guidance of officers preparing bills for payment and of Treasury Officers and their account establishments. The rules referred to in several places are, it may be explained, those sanctioned by the Government of India in the Department of Finance and Commerce in Order No. 593, dated 5th February 1886, and published at page 112 of the *Bombay Government Gazette* of the 11th idem.

The following allowances are *exempt from liability* to the tax as being granted to meet specific expenditure, and therefore not included in the term 'Salary.'

(*a*) Education allowance, house-rent, and value of free quarters, under the Hill Allowance Code; and Presidency house-rent.—*G. I., F. D., 391, dated 26th April 1886.*

Exception.—A staff officer serving at a Presidency Town on a consolidated salary is not entitled to house-rent. House-rent cannot be considered to be included in his consolidated salary; it is therefore not exempt from the tax.—*G. I., Mily. Dept., 557-B., dated 24th June 1886.*

(*b*) Any sum compulsorily stopped from salary by the orders or with the approval of Government (except salary withheld in pursuance of an order of Court).—*G. I., F. D., 593, dated 5th February 1886.*

(*c*) Compulsory contributions made by the employés of the Bombay Port Trust to the Provident Fund established for their benefit.—*G. I., F. D., 1383, dated 14th June 1886.*

N.B.—*Voluntary* deposits in Railway Provident Funds and Savings Banks, which are held at the absolute disposal of the contributor or depositor, are *not* exempt (*G. I., F. D., 2633, dated 19th August 1886.*) Neither are compulsory contributions to Provident Funds established by private companies or firms.—*G. I., F. D., 4812, dated 24th December 1886.*

(*d*) Compulsory contributions to the Karáchi Harbour Board Provident Fund.—*G. I., F. D., 1583, dated 25th March 1887.*

(*e*) Salaries paid by Sub-Registrars to their kárkúns from percentages of fees.—*Bo. Govt. 1532, dated 31st May 1886.*

(*f*) Leave and pension contributions of officers whose services have been lent to Courts of Wards or public bodies.—*G. I., F. D., 1266, dated 9th June 1886.*

(*g*) Salaries of officers serving outside of British India, whose services have been lent to, and whose salaries are paid by, Native States are *wholly* exempt.—*G. I., F. D., 2650, dated 21st August 1886; and Bo. Govt., F. D., 990, dated 6th April 1886.*

(*h*) Fines inflicted by the head of an Office or Department, or by Government, should be deducted from the salary of an officer in taking into account the amount on which income-tax is levied.—*C. G.'s No. 1586, dated 22nd December 1888.*

(*i*) Incomes paid in other countries but accruing for service in India should be taken into account in calculating income-tax.—*G. I., F. D., 6108, dated 3rd December 1889.*

(*j*) Income-tax should not be levied on commission for stamps sold by postal officials, *ex-officio*, but should be levied on discount on stamps sold by them as ordinary licensed vendors.—*G. I., F. D., 73, dated 7th January 1890.*

All the above sums should be deducted from an officer's salary *previous* to assessment.

44. The following allowances are *liable* to the tax, as they are granted to meet *general* and not specific expenditure :—

(*a*) Special maintenance allowance, family maintenance allowance, deputation allowance, under the Hill Allowance Code; the Presidency allowance of the Accountant General; rewards for passing examinations, scholarships (unless granted to meet the cost of education).—*G. I., F. D., 391, dated 26th April 1886 (and see Bo. Govt. Reso., F. D., 2446, dated 16th August 1886).*

(*b*) Deputation allowances based on daily travelling rates to Sub-Judges and their establishments to clear off arrears, etc.—*G. I., F. D., 2236, dated 30th July 1886.*

(*c*) Incomes of Missionaries.—*Bo. Govt. Reso., F. D., No. 494, dated 17th February 1888.*

45. A compositor paid by the piece does not receive a fixed salary, or any salary at all, and his wages do not come within the definition of salary. He should be assessed under Part IV or exempted under section 5 (*j*) according to the amount of his receipts.—*Bo. Govt. Reso., F. D., 996, dated 7th April 1886.*

46. Leave allowances may be regarded either as allowances in lieu of salary, or as portions of salary, the balance being withheld owing to the officer's absence from duty. In either view they are taxable or not under Part I, according to their amount, except when paid in England, where (*G. I., F. D., 2101, dated 28th April 1887*), they are not taxable.

47. The income of Universities or other associations of bodies existing solely for educational purposes, and of local authorities (as defined in section 3, clause 1), is exempt from the tax.—*G. I., F. D., 434, dated 27th April 1886.* This ruling exempts grants-in-aid to schools and the income of municipalities.—*Bo. Govt. Reso., F. D., 1167, dated 21st April 1886.*

48. Payments to Native Chiefs under Treaties :—

(*a*) Political pensions that are compassionate and charitable are taxable.

(*b*) Compensation in respect of property situate, or rights exercised, in British India, is ordinarily taxable.

(*c*) Allowances to Chiefs under Treaties in respect of, or in compensation for, payments which would have accrued to them in their Native States had not these Treaties been made, are ordinarily exempt.

N.B.—Sahotra Amal to the Pant Sachiv of Bhor and other similar allowances are liable to income-tax, as they are shares of revenues of lands subject to British laws. The general rule does not apply to these (*Bo. Govt. Reso., Pol. D., No. 6779, dated 9th October 1889*).

(*d*) Special cases, to which these principles are not applicable, should be referred to the Government of India in the Financial Department.—*G. I., F. D., 881, dated 3rd March 1887.*

49. Interest on Government securities paid to any one at a Political Treasury outside of British India is taxable.—*Bo. Govt. Reso., F. D., No. 41, dated 4th January 1887.*

50. Foreign Consuls residing in India are provisionally exempted from payment of income-tax in respect of their official salaries and fees.—*G. I., F. D., 2178, dated 12th May 1887.*

51. School prizes are not to be treated as salary or income for the purposes of the Income Tax Act.—(*Bo. Govt. Reso., F. D., No. 760, dated 2nd March 1891*).

52. The tax should be levied solely with reference to the actual salary drawn each month. In case it comes to the disbursing officer's knowledge that the recipient has other income, the following rulings will be useful in determining the recipient's further liability :—

1. A salary of less than Rs. 1,000 per annum is taxable under Part I if the total income of the recipient of the salary exceed Rs. 1,000; but income under Part IV is not taxable unless it exceed Rs. 1,000, irrespective of any salary or income comprised in Parts I, II or III, payable to the recipient.—*Adv. Genl.'s opinion published with Bo. Govt. Reso., F. D., 787, dated 19th March 1886; and G. I., F. D., 810, dated 20th May 1886.*

Illustrations—

(*a*) A draws a salary of Rs. 800 per annum and derives an income of Rs. 600 under Part III from Government securities. He should be taxed at 4 pies on his salary and at 4 pies on his interest.

(*b*) B draws the same salary as A, and derives an income of Rs. 300 under Part IV. He should be taxed at 4 pies on his salary, but his income under Part IV would be exempt.

(*c*) C draws an annual salary of Rs. 200, and derives an income of Rs. 1,000 under Part IV. He should be taxed at 4 pies on the former and should pay Rs. 20 on the latter.—*Bo. Govt., F. D., 1238, dated 3rd May 1886.*

2. It follows that salary of less than Rs. 2,000 per annum, if so supplemented by income under any other Part as to raise it to Rs. 2,000 or upwards, should be taxed at the higher rate.

3. A salary of less than Rs. 1,000 per annum drawn by a member of a Hindu undivided family is taxable under Part I if the Collector brings to

notice that his proportionate share of the income of the undivided family of which he is a member raises his yearly income to Rs. 1,000 or more.—*Bo. Govt., F. D., 1846. dated 26th June 1886; 2175, dated 24th June 1886; 2352, dated 6th August 1886.*

Note.—'Hindu' may here be interpreted in its wider sense, and may be taken to include Jains and even Sikhs.—*Bo. Govt., 2854, dated 20th September 1886.*

(*a*) if the salary drawn for the month does not amount to Rs. 83⅓ it is not taxable;

(*b*) if it amounts to Rs. 83⅓ and is below Rs. 166⅔rds the tax should be levied at 4 pies; or

(*c*) if it amounts to Rs. 166⅔rds or upwards the tax should be levied at 5 pies.

The officer making the deduction should be guided solely with reference to the month's salary, unless the Collector brings to his notice that the recipient has other income.—*G. I., F. D., No. 810, dated 20th May 1886.*

53. Abatement of income-tax on amounts paid to an Insurance Company (*vide* Article 34, C. A. C.), will be made periodically on production of the Insurance Company's receipt and not necessarily by monthly abatements of a uniform amount.—(*G. R. (Govt. of India), No. 902, dated 25th May 1886*).

Income-tax on Interest on Government Securities.

54. Besides the cases of exemption noted in Chapter 3, Article 40 of the C. A. C., interest on securities belonging to a Service Fund is exempt from taxation (*see* Article 61 of this Manual).

1. The following are Service Funds within the meaning of this Rule:—,

(*a*) The Bengal Christian Family Pension Fund.—*G. I., F. D., 1483, dated 1st April 1886.*

(*b*) The Provident Fund of a Railway Provident Institution constituted under rules approved by the Governor General in Council.—*G. I., F. D., 1042, dated 5th March 1886.*

(*c*) The General Family Pension Fund.—*G. I., F. D., 1138, dated 10th March 1886.*

(*d*) The Provident Fund of the Karáchi Harbour Board.

2. Income-tax is realizable upon fractions of a rupee of interest accrued on date of sale of Government securities.—*C. G.'s letter to A. G., Beng., $\frac{57}{D}$ dated 6th April 1886.*

Vouchers to be debited "Net.

55. All vouchers from which income-tax has been deducted should be charged *net* in accordance with the rule laid down at Chapter 18, Article 317, clause 2 of the C. A. C. The returns required by the Income Tax Rules in respect to these deductions will be rendered by the Accountant General, and it is essential therefore that all recoveries (including those to make good short recoveries noticed in audit) should be realized by deduction from payment vouchers. In any exceptional case in which a cash recovery occurs, it should be credited in the cash recovery schedule (*see* Article 300), but on no account may it be mixed up with the income-tax credits at the Treasury.

Local Fund Recoveries.

56. In the case of recoveries from bills paid at the Local Fund Branch of the Treasury by means of cheques drawn by the Local Boards, the vouchers should be charged against the Local Fund in *gross* (*see* C. A. C. rule quoted in Article 55). The Treasury Officer is responsible for seeing that the proper recovery is made and should furnish the Collector (from the Local Fund Branch) with the information required in rule 1 in such manner as the Collector may find most convenient. The payment of the income-tax to the Collector will, under Local Boards Rule 46, be made on the same cheque as the establishment or other bill from which it is deducted.

57. The same principle applies to all Local Funds which bank with the Treasury, and to the Educational bills of the District Local Board, that is to say :—

(1) The debit to the Local Fund will be for the gross charge.

(2) The credit to income-tax will be as far as possible "paid by transfer" and be reported to the Collector of Income Tax.

(3) The tax recovered will be accounted for in the returns of the Collector, not in those of the Accountant General.

Recoveries from Deposit (or other Debt Account) Vouchers.

58. In a few very exceptional cases Government officers receive a portion of their "Salaries" from deposits; in such cases the charge to deposits, etc., must, as in the case of Local Funds, be for the gross charge and a credit should be afforded in the body of the cash account for the income-tax received, particulars being given of (1) the name and official designation of officer paying it, (2) income on which taxed, (3) rate of tax, and (4) amount realized.

59. The following table may be found useful for calculating the tax under Act II of 1866:—

Income.	At 4 pies in the Re.	At 5 pies in the Re.	Income.	At 4 pies in the Re.	At 5 pies in the Re.	Income.	At 4 pies in the Re.	At 5 pies in the Re.
Rs.	Rs. a. p.	Rs. a. p.	Rs.	Rs. a. p.	Rs. a. p.	Rs.	Rs. a. p.	Rs. a. p.
1	0 0 4	0 0 5	51	1 1 0	1 5 3	100	2 1 4	2 9 [illegible]
2	0 0 8	0 0 10	52	1 1 4	1 5 8	200	4 3 8	[illegible] 4
3	0 1 0	0 1 3	53	1 1 8	1 6 1	300	6 4 0	7 13 0
4	0 1 4	0 1 8	54	1 2 0	1 6 6	400	8 5 4	10 6 8
5	0 1 8	0 2 1	55	1 2 4	1 6 11	500	10 6 8	13 0 4
6	0 2 0	0 2 6	56	1 2 8	1 7 4	600	12 8 0	15 10 0
7	0 2 4	0 2 11	57	1 3 0	1 7 9	700	14 9 4	18 3 8
8	0 2 8	0 3 4	58	1 3 4	1 8 2	800	16 10 8	20 13 4
9	0 3 0	0 3 9	59	1 3 8	1 8 7	900	18 12 0	23 7 0
10	0 3 4	0 4 2	60	1 4 0	1 9 0	1,000	20 13 4	26 0 8
11	0 3 8	0 4 7	61	1 4 4	1 9 5	1,100	22 14 8	28 10 4
12	0 4 0	0 5 0	62	1 4 8	1 9 10	1,200	25 0 0	31 4 0
13	0 4 4	0 5 5	63	1 5 0	1 10 3	1,300	27 1 4	33 13 8
14	0 4 8	0 5 10	64	1 5 4	1 10 8	1,400	29 2 8	36 7 4
15	0 5 0	0 6 3	65	1 5 8	1 11 1	1,500	31 4 0	39 1 0
16	0 5 4	0 6 8	66	1 6 0	1 11 6	1,600	33 5 4	41 10 8
17	0 5 8	0 7 1	67	1 6 4	1 11 11	1,700	35 6 8	44 4 4
18	0 6 0	0 7 6	68	1 6 8	1 12 4	1,800	37 8 0	46 14 0
19	0 6 4	0 7 11	69	1 7 0	1 12 9	1,900	39 9 4	49 7 8
20	0 6 8	0 8 4	70	1 7 4	1 13 2			
21	0 7 0	0 8 9	71	1 7 8	1 13 7			At 5 pies in the Re.
22	0 7 4	0 9 2	72	1 8 0	1 14 0			
23	0 7 8	0 9 7	73	1 8 4	1 14 5			Rs. a. p.
24	0 8 0	0 10 0	74	1 8 8	1 14 10			
25	0 8 4	0 10 5	75	1 9 0	1 15 3			
26	0 8 8	0 10 10	76	1 9 4	1 15 8	2 000		52 1 4
27	0 9 0	0 11 3	77	1 9 8	2 0 1	3 000		78 2 0
28	0 9 4	0 11 8	78	1 10 0	2 0 6	4.000		104 2 8
29	0 9 8	0 12 1	79	1 10 4	2 0 11	5.000		130 3 4
30	0 10 0	0 12 6	80	1 10 8	2 1 4	6,000		156 4 0
31	0 10 4	0 12 11	81	1 11 0	2 1 9	7.000		182 4 8
32	0 10 8	0 13 4	82	1 11 4	2 2 2	8,000		208 5 4
33	0 11 0	0 13 9	83	1 11 8	2 2 7	9.000		234 6 0
34	0 11 4	0 14 2	84	1 12 0	2 3 0	10.000		260 6 8
35	0 11 8	0 14 7	85	1 12 4	2 3 5	15,000		390 10 0
36	0 12 0	0 15 0	86	1 12 8	2 3 10	20,000		520 13 4
37	0 12 4	0 15 5	87	1 13 0	2 4 3	25,000		651 0 8
38	0 12 8	0 15 10	88	1 13 4	2 4 8	30,000		781 4 0
39	0 13 0	1 0 3	89	1 13 8	2 5 1	35,000		911 7 4
40	0 13 4	1 0 8	90	1 14 0	2 5 6	40,000		1,041 10 8
41	0 13 8	1 1 1	91	1 14 4	2 5 11	45,000		1,171 14 0
42	0 14 0	1 1 6	92	1 14 8	2 6 4	50,000		1,302 1 4
43	0 14 4	1 1 11	93	1 15 0	2 6 9	60 000		1,562 8 0
44	0 14 8	1 2 4	94	1 15 4	2 7 2	70 000		1,822 14 8
45	0 15 0	1 2 9	95	1 15 8	2 7 7	80,000		2,083 5 4
46	0 15 4	1 3 2	96	2 0 0	2 8 0	90,000		2,343 12 0
47	0 15 8	1 3 7	97	2 0 4	2 8 5	1,00,000		2,604 2 8
48	1 0 0	1 4 0	98	2 0 8	2 8 10			
49	1 0 4	1 4 5	99	2 1 0	2 9 3			
50	1 0 8	1 4 10						

Income-tax Recoveries from Fees drawn by Government Pleaders and District Sub-Registrars.

60. The following instructions in regard to the recovery of the income-tax due by Government Pleaders on the amounts of fees drawn by them from the Government Treasuries and those received by the District Sub-Registrars as Registrars of Pársi marriages are communicated for information and guidance :—

1. Each Government Pleader, receiving salary from Government, should append to his monthly salary bill a memorandum showing the amount of fees drawn from the Treasury in the month for which the salary bill is preferred, and should deduct income-tax from his whole "salary" which according to the definition of the term in the Income Tax Act includes "fees."

2. Subordinate Government Pleaders do not receive any fixed salary from Government, but are paid fees in Government cases. The amount of their fees is generally small, but when the aggregate amount drawn in a month reaches the taxable limit, the income-tax due on the whole amount of the fees drawn during the month should be recovered from the first bill presented after the limit has been reached, and from all subsequent bills cashed in that month. To enable Treasury Officers to make these deductions a memorandum should be attached to each bill, showing what fees have been drawn up to date in the month in which the bill is presented for payment.

3. The amounts of fees received by the District Sub-Registrars for the registration of marriages amongst Pársis (which they are allowed to retain without passing them through the public accounts) should be noted by them on their monthly pay bills, and tax due thereon included in the income-tax deduction from their pay bill.

Exemption from Income-tax on interest paid upon special Non-transferable forms of Promissory Notes held by Native Ruling Chiefs.

61. The Government of India in the Department of Finance and Commerce have decided that no income-tax is to be deducted from the interest paid upon special non-transferable forms of Government Promissory Notes held by Native Ruling Chiefs. Such tax on interest paid from the Treasury on any such notes should not be charged.

A copy of a letter No. 274-D, dated 5th June 1888, from the Comptroller and Auditor General, to the Accountant General, Punjab, is printed below explaining how the special non-transferable Government Promissory Notes held by Native Ruling Chiefs can be distinguished from the ordinary Government Promissory Notes :—

I have the honour to acknowledge receipt of your letter No. 6434-T. M., of 12th ultimo, enquiring (*i*) whether the form of special notes authorised for Native Ruling Chiefs is readily distinguishable from ordinary forms and (*ii*) whether the word "non-transferable" is enfaced upon them.

2. In reply, I have to say that the form of special note is not on the face of it readily distinguishable from that of the ordinary note, as the shape, engine-turned pattern, signatures, etc., are the same in both, nor is the word "non-transferable" enfaced on it; but the terms upon which it issues are

different from the ordinary form, as you will observe from the following which I note for your information :—

(*i*) After acknowledging receipt in the prescribed words of the amount of the loan, the note promises to pay interest in the usual way to the Chief concerned, his *heirs and successors.*

(*ii*) Further engages to consider the interest as an annuity to the above for ever with the proviso that such annuity shall cease upon repayment of the said principal sum : also engages that such repayment shall not be made before the expiry of a notice of not less than three months to be given in the *Gazette of India.*

(*iii*) Also agrees on surrender of the special form of note to issue Promissory Notes in the usual form at any time to any one to whom the above may transfer the special note or any part of it.

As practical differences the most noticeable are :—

The Special Note is to A. B., his *heirs and successors,* instead of the ordinary form "*Executors and Administrators.*"

The last paragraph of the Special Note contains the agreement to exchange for an ordinary note noticed above (No. *iii*).